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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

EX PARTE

June 23, 1994

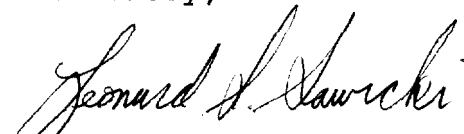
Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

Re: CC Docket No. 92-292

Dear Mr. Caton:

Today, David Jordan and I met with Linda Dubroof and Mary DeLuca of the Common Carrier Bureau. The purpose of the meeting was to review MCI's position in this proceeding and to discuss solutions for certain types of toll fraud. The attached material was used during the meeting. Besides the topics listed in the attached, we also covered fraud based on remote call-forwarding.

Sincerely,


Leonard S. Sawicki

Attachment

cc: Ms. DeLuca
Ms. Dubroof

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List ABCDE



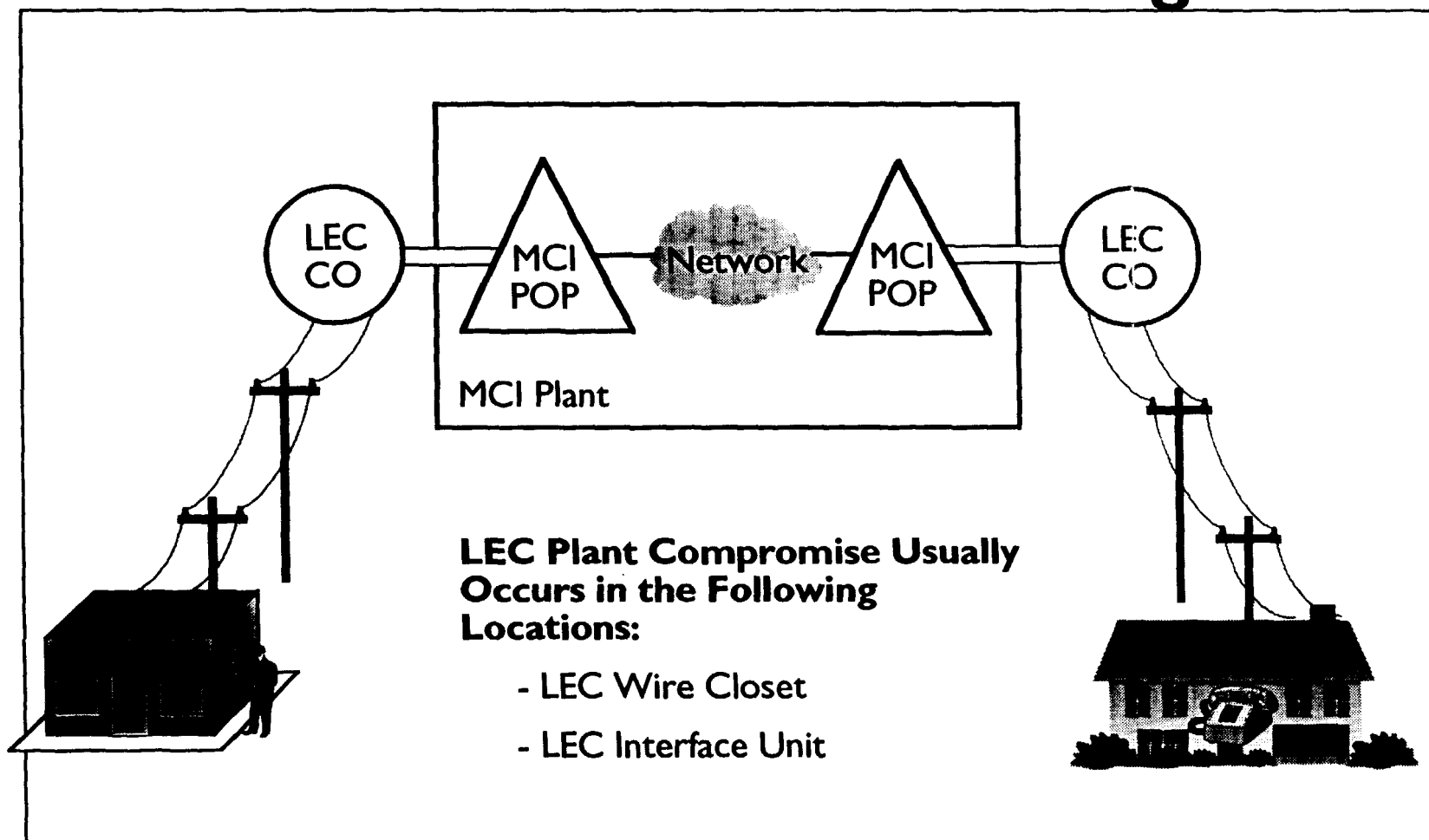
Managing Toll Fraud

David Jordan
Technical Security

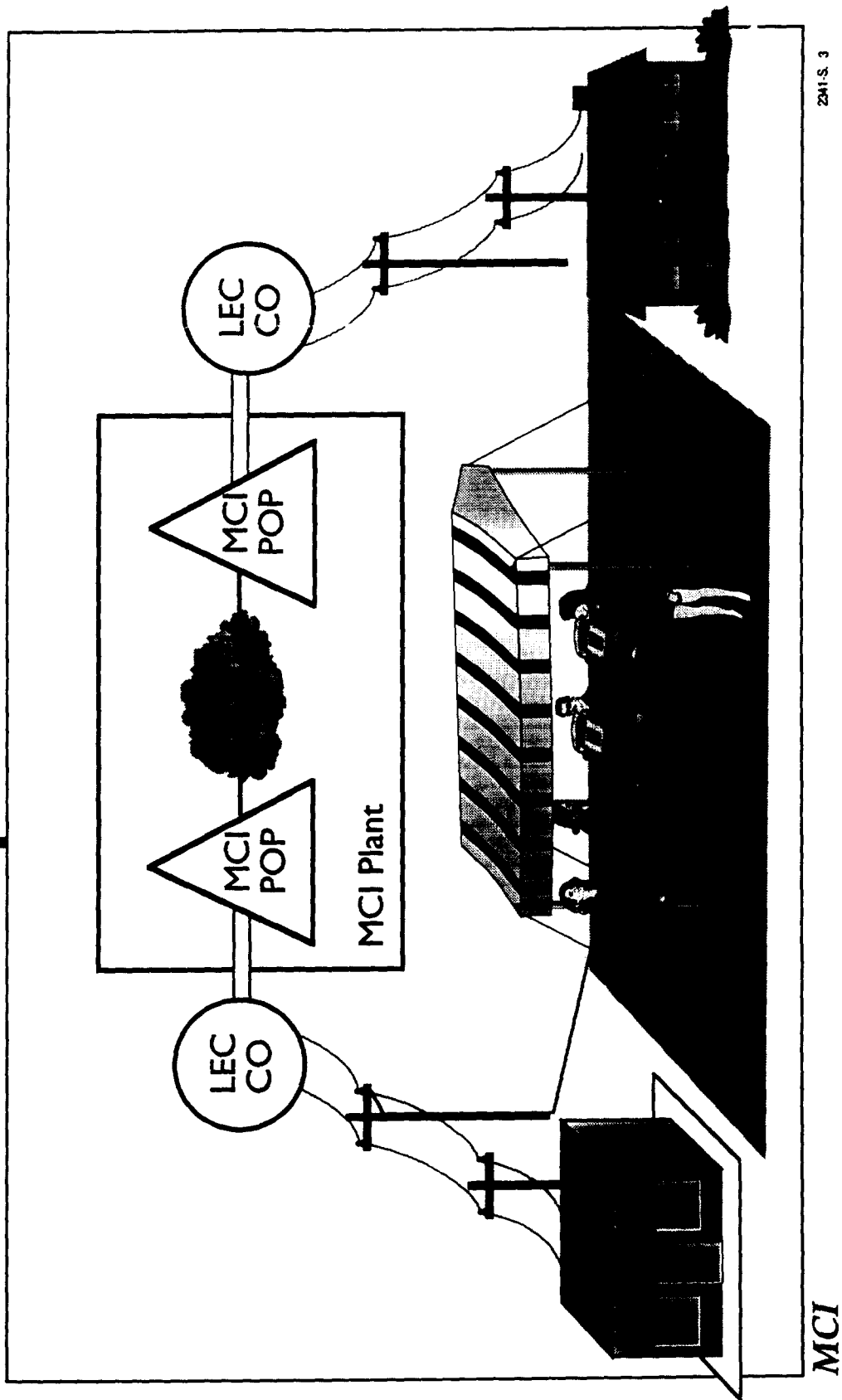
MCI

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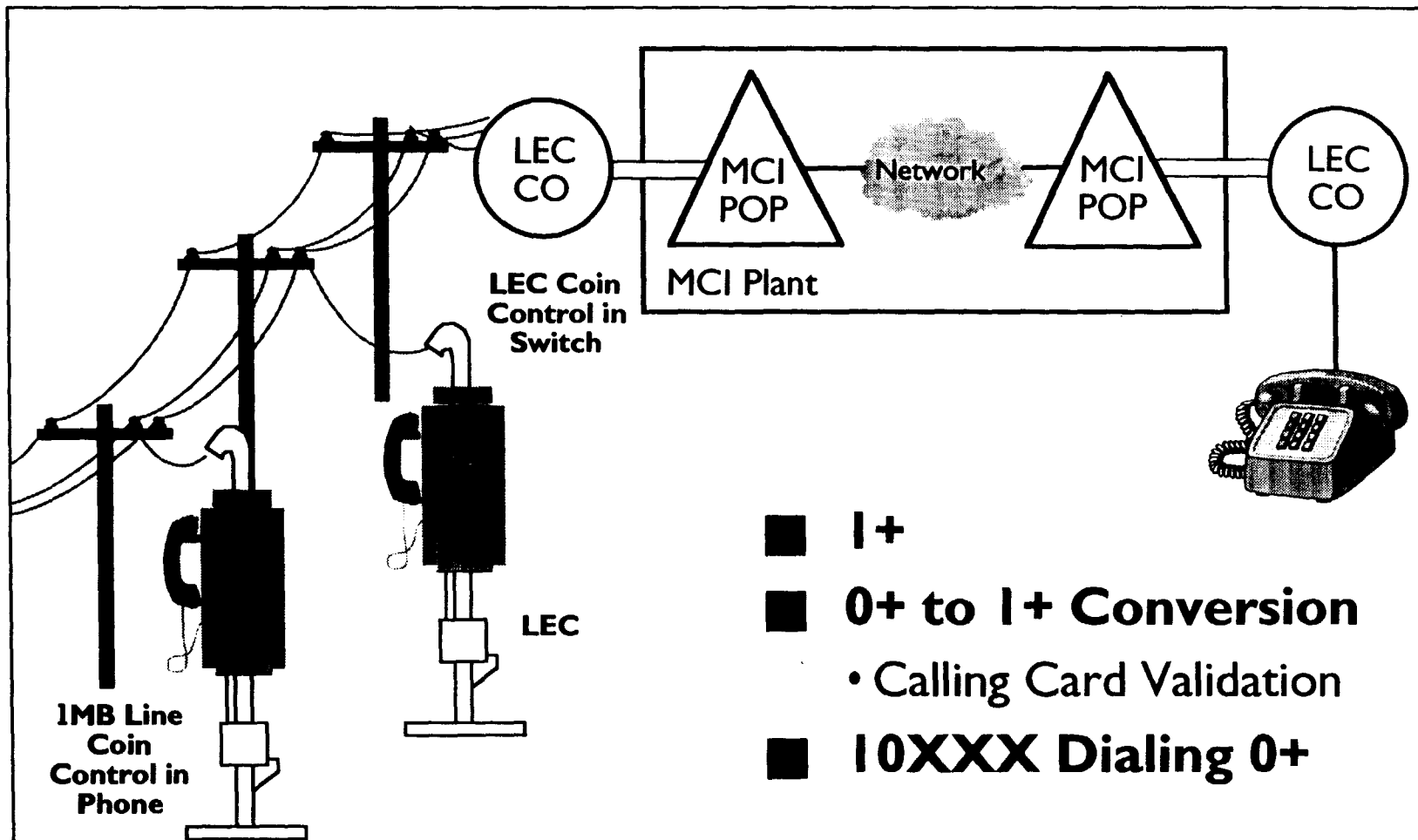
Local Service Provisioning



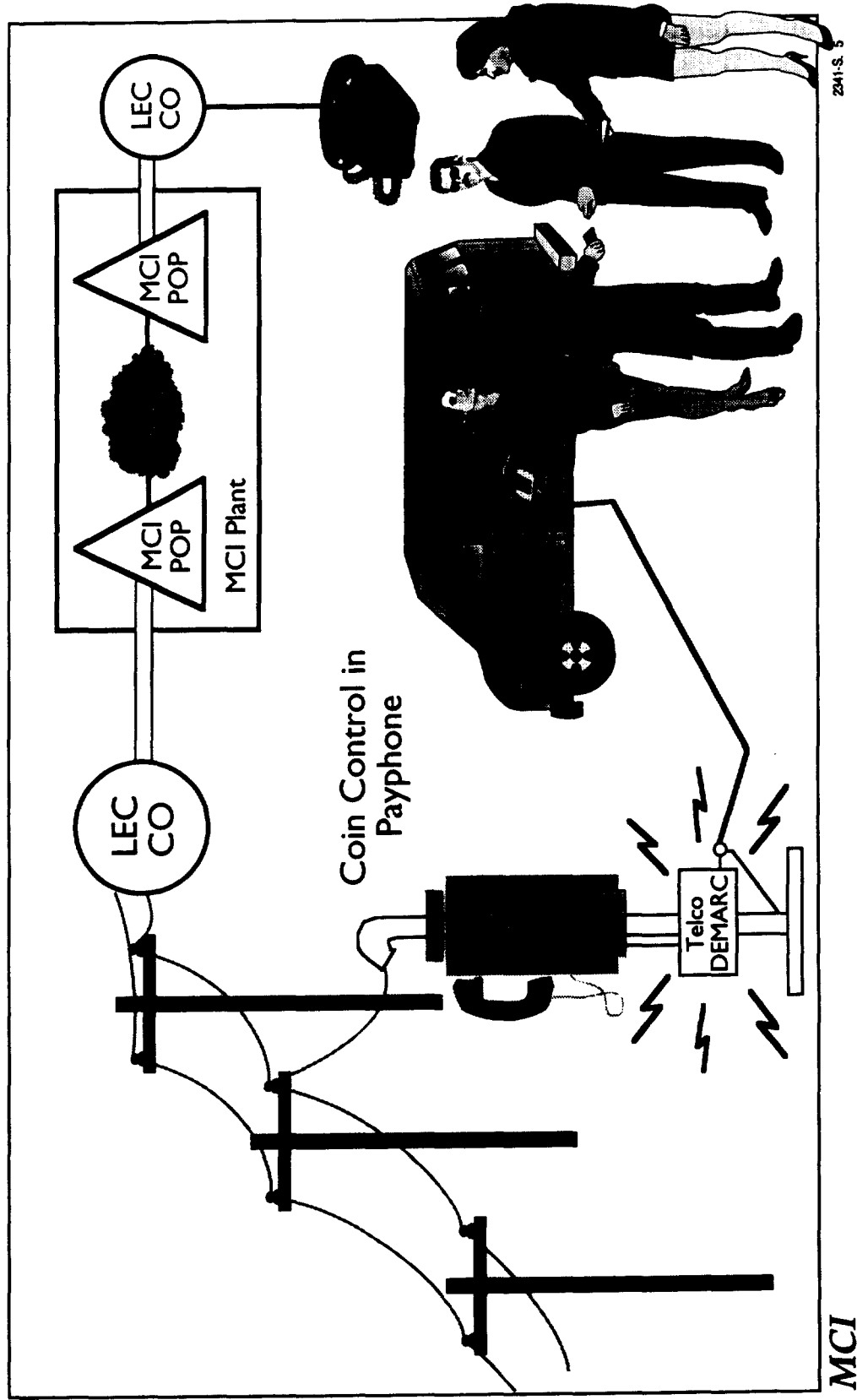
Clip-On Fraud



COCOT Call Flow



Fraudulent COCOT Call Flow

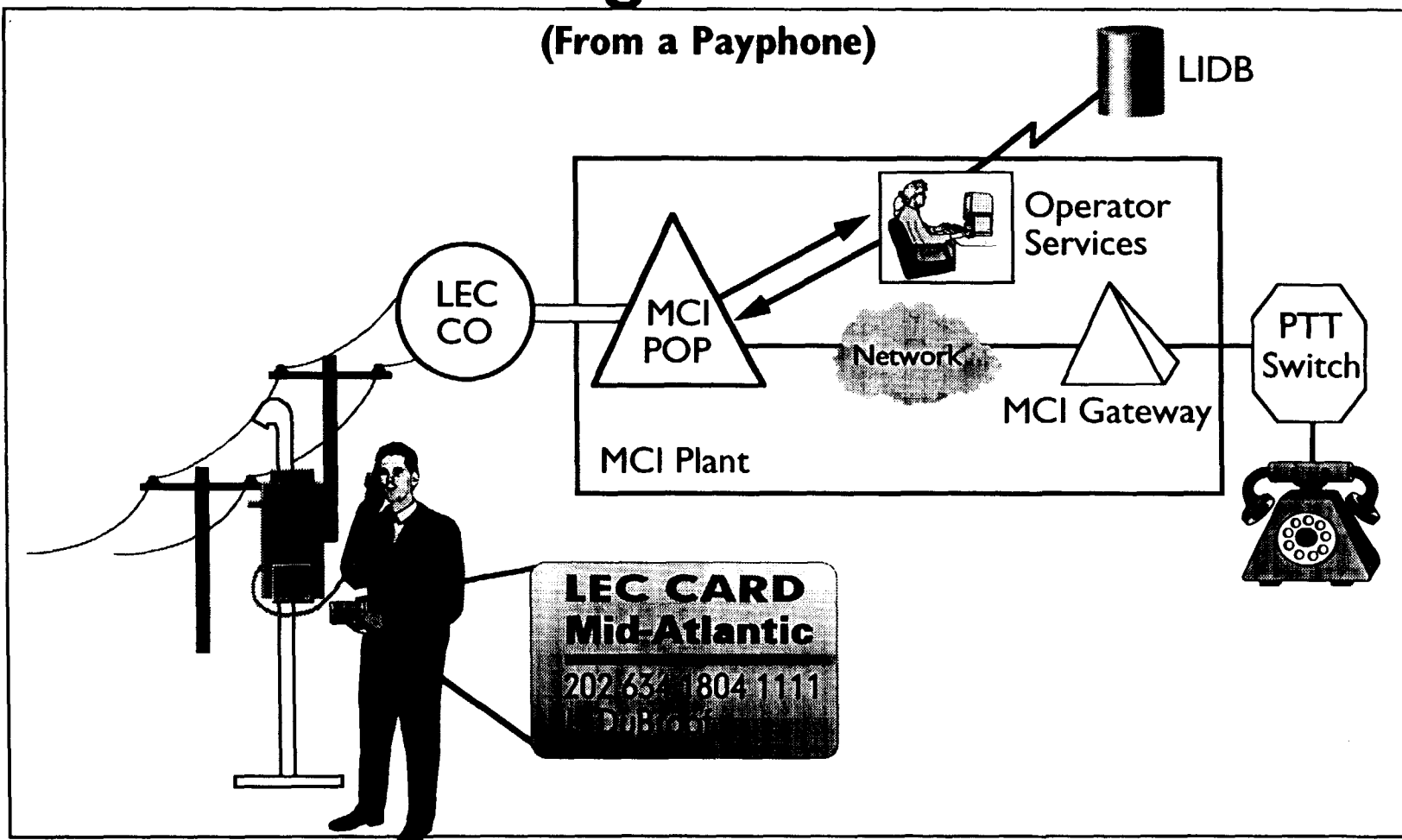


COCOT with Non-PIC Option

- **Does Remove Financial Responsibility for Fraud from the COCOT?**
- **Non-PIC Option Offered by LEC's Doesn't Prevent Fraud**
- **Fraud Perpetrators Are Free to Dial 10XXX 1+**
- **The Non-PIC Option Should Prevent Long Distance Dialing Altogether**

LEC Calling Card Call Flow

(From a Payphone)



MCI

LEC Card Product - Fraud Risk Concerns

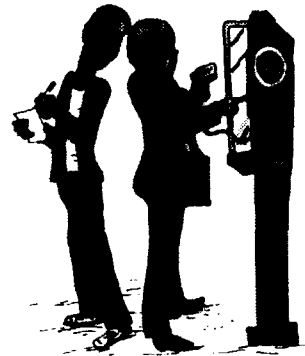
- **LIDB/LERG Information Is Not Always Accurate**
- **Poor Business Office Practices Leads to Fraudulent Use of LEC Cards**

Fraudulent Use of LEC Calling Card

Social Engineering



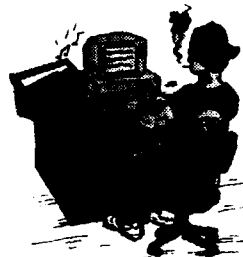
Shoulder Surfing



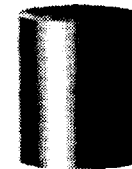
Hacker & Business Phone



Hacker & Computer



LIDB



LEC Card Product - Fraud Risk Concerns

- LIDB/LERG Information Is Not Always Accurate
- Poor Business Office Practices Leads to Fraudulent Use of LEC Cards
- MCI Pays Access Fees and LIDB Fees Regardless of the Collection Outcome
- MCI Carries the Risk Associated with Fraudulent Traffic Billed to LEC Cards, and Line Numbers

Other Fraud Prevention Mechanisms

- **Info Digits Were Assigned Based on the Value Associated with the Identification of High Fraud Risk Line Number Originations. National Forum ICCF Approved These Assignments Last Year. However, the LECs Now Want the IC's to Fund the Implementation of the Valuable Info Digits.**
- **DTRO/CO Upgrade**
- **All PINs Fail**
- **Recognition Tone for Payphones**

Subscription Fraud

- **Collect and Verify Subscription Information on All New Accounts**
- **Cross Reference Related Accounts**
- **Authenticate Calling Party on All Account Changes**
- **Monitor Credits**
- **Utilize National Bad Debt Data Base**

Subscription Fraud

- **Share Customer Information**
- **Alarm Suspect Equipment Installations**
- **Toll Denial for Non-Payment**
- **Utilize Bad Debt Data Base**

Subscription Fraud

■ Detect Suspect Installation Request

- Invalid Customer Information
- High Risk Accounts
 - Outstanding Balance
 - No Credit History
 - High Risk Feature-Set
 - Multiple Accounts
 - 20 Lines for a Two Bedroom Apartment